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EDITORIAL DEPARTMENT NOTE

Methods and procedures are undergoing careful scrutiny these days in an effort to eliminate those unnecessary frills and excess operations which cannot be justified in the light of personnel shortages. On the one hand, accounting methods are being simplified and adjusted to present-day needs; on the other, procedures are being standardized, organized and reduced to manual or other written form as an aid to their use by less experienced employees. Two samples of what one company has done in this area are provided by the two articles in this issue of the *Bulletin*, describing the installation of a system of standard costs by the Caterpillar Tractor Co., and the procedure adopted for the issuance of procedures by a subsidiary company, the Caterpillar Military Engine Co. The authors of these two articles have much in common in addition to their first names.

William H. Franklin, the author of the first article, was graduated from Princeton University in 1931 and completed his accounting training at night at the Northwestern University Graduate School. He is an Illinois C.P.A., and spent several years in public accounting with Price, Waterhouse & Co. before joining the Caterpillar Tractor Co. as Assistant Controller in 1941. Mr. Franklin is currently serving as Program Director of the Peoria Chapter.

The author of the second article, William E. Bergstrom, studied accounting at LaSalle Extension University and Northwestern University. Before joining the Caterpillar Tractor Co. he was on the staff of the Chicago office of Price, Waterhouse & Co. for eight years. During his eleven years with the Caterpillar Tractor Co., he has served successively as Auditor, General Auditor and Assistant Secretary. When the Caterpillar Military Engine Co. was organized early this year to operate the Victory Ordnance Plant at Decatur, Ill., Mr. Bergstrom was appointed Controller. He has been active in the management of both the Peoria and Decatur Chapters, serving as Program Director of the latter last year, and in the same capacity for the Decatur Chapter this year.

Articles published in the *Bulletin* present many different viewpoints. In publishing them the Association is not sponsoring the view expressed, but is endeavoring to provide for its members material which will be helpful and stimulating. Constructive comments are welcomed and will be published in the Forum Section of the *Bulletin*.

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DECEMBER 1, 1942

STRUGGLES WITH STANDARDS

By William H. Franklin, Assistant Controller, Caterpillar Tractor Co., Peoria, Ill.

THE THEORIES and purposes of a standard cost system have often been expounded in text books, in articles and in lectures. The theoretical niceties of the system have provoked learned and informative arguments and discussions. Since the first beginnings of the system—and we may presume until the final death of the system—theorists have argued and will argue the case for and against ideal standards as opposed to bogey standards, production variances as opposed to cost of sales variances, etc. The text books have refined the requirements of a good standard cost system to the point where variances are analyzed to the last elusive fraction of waste, and overhead is applied to costs on exact formulae springing from detailed budgets.

All that is very proper and is not for a moment to be scorned. Without the theorists and their theories, practical accountants would find the way to an economical and practical job exceedingly long and difficult. The theorists and the practical accountants are both essential to the development of accounting; and our accounting systems—so often a compromise between the ideas of both groups—are the better for their individual contributions.

It is the purpose of this article to set forth a system which has been the product of such compromise and to attempt to show how, in designing this system, theory and practical considerations were both considered and the compromise effected. This system is the standard cost system in effect and in evolution at Caterpillar Tractor Co.

The system is not presented as a perfect one. Some of its weaknesses will be brought to light as the discussion proceeds; others lie hidden—noticeable perhaps to only the discerning reader and to those of us who have to recognize and, if possible, make allowance therefor.

Background of the System

Before discussing the details of the standard cost system, it is well to give briefly a picture of the company's operations so that the problem will be clearly before us.

The Company and Its Products

Caterpillar Tractor Company manufactures as its normal product track-laying tractors, motor graders, electric generating sets, engines—all diesel powered—and parts therefor. This product is in even greater demand during time of war than under more normal conditions and as a result the company has continued in full-tilt production of its normal product, although with fewer models in each line of product. It has, in addition, entered into the production of certain special war products.

The major manufacturing operations of the company take place in one plant employing approximately 16,000 people. A considerably smaller plant manufactures the vital fuel injection equipment for the diesel engines. This latter plant maintains a separate set of books and may be disregarded for purposes of this article.

The company's machine products are, of course, the complete assembly of a great many parts. Some of these parts are manufactured by the company from raw materials, others are purchased in semi-fabricated form and given the final processes by the company and still others are purchased finished. An unusually large number of these parts are (by design) common to more than one model: substantially the same engine, for example, is sold in a tractor, in a motor grader, in an electric set and as an independent unit for use in other manufacturers' products—shovels, cranes, compressors, etc.

Complicating Influences

The problem is further complicated by the manufacture of a large number of auxiliary attachments. By means of these attachments the standard model is equipped to meet the individual customer's requirements. The standard engine, for example, is a fan to flywheel assembly arrangement only and a varied assortment of radiators, clutches, etc. is offered to be installed with the engine to meet the customer's particular requirements.

The problem is still further complicated by the manufacture of a substantial number of replacement parts, both for current models and for obsolete models. It is the company's policy to service all models which it has ever produced, no matter how old, and as a

result large numbers of non-current parts are in constant manufacture.

The cost system formerly in operation was substantially a job lot cost system. Work orders for piece part production were issued to the plant monthly and the material and direct labor costs of these orders were compiled. These costs were averaged over a four-month period and compiled by means of bills of material to obtain model costs for the period. Overhead was added as a percentage of direct labor.

Designing the System

Material Standards

One of the first problems to be faced in designing the new system was to determine whether the variances from standard for material should be charged to profit and loss when material was purchased, when the material was put into process, or when the product was finished. This question was quickly solved—and from purely practical considerations. The company had never carried its raw material and work in process in separate dollar inventory accounts, thereby effecting a very substantial saving by the elimination of all the paper work which would otherwise be involved in making and pricing requisitions from raw material to work in process. There was, therefore, a natural reluctance to introduce a system which would require such a volume of paper work. The option was reduced to charging off variances on material either (1) at the time of purchase or (2) at the time the product was finished. But if the variance were to be recorded at the time the product was finished, it would result in leaving a substantial portion of the inventory still to be costed on some job cost system and since this system always gives cost information subsequent to production rather than simultaneously with production, it would be difficult to maintain adequate book inventories without retroactive adjustments. To accomplish the purpose, then, it was necessary (no matter what basis might be preferably in theory) to adopt the policy of recording material variances when the material was purchased.

Labor Standards

The next problem was the similar question as to labor variances. Labor variances could be recorded when the work was performed or when the product was finished. However, if the labor variance were recorded when the product was finished, it would be necessary to compile job costs for all production and it would be difficult to maintain adequate book inventories without retroactive adjustment. Once again, therefore, practical considerations led to adoption of a policy of recording labor variances when the work was performed.

Overhead

Consideration was then given to the application of overhead. Overhead had formerly been applied as an overall percentage of direct labor—a method having the tremendous advantage of speed and simplicity. It was realized, of course, that in the case of certain piece part costs the method would tend to produce some degree of error but it was known that, in the compilation of a complete machine cost, such error was relatively unimportant. The advantage of speed and simplicity was, furthermore, not to be given up lightly in these days when the pressure of growing war problems had to be combined with a change in the cost system. This large and troublesome problem was, therefore, pushed aside for consideration in the future and it was decided that overhead would be applied under standard costs on the same basis as actual cost—an overall percentage of direct labor with one slight change; the percentage was to be applied on direct labor at standard cost rather than at actual cost since all the debits and credits to inventory for direct labor were to be at standard cost.

Analysis of Variances

The problem of the analysis of variances called for attention next. Material variances should theoretically be separated into the use variance (the difference between the standard amount of material which should be used and the amount actually used) and the price variance (the difference between the standard price and the price actually paid). The only method by which the use variance could be obtained, however, would be through requisitions

from raw materials to work in process, and, as previously mentioned, there was no desire to undertake this volume of paper work if it could possibly be avoided. Under the former job cost system, the material costs for those parts manufactured from rough steel had been computed using average allowances for bar ends, punchings, turnings, etc., and no difficulty had been experienced. It was therefore decided to include these same allowances in the material standards and to relegate to the future consideration of the problem of determining the use variance. The only variance obtained at the moment is the price variance.

Next came consideration of the analysis of the labor variance. Labor variances should theoretically be divided into the efficiency variance (the actual performance time taken compared to the standard length of time required) and the wage rate variance (the actual rate paid compared to the standard rate paid). In order to compile these variances separately it appeared necessary to make two extensions on each job card—one the time standard multiplied by the pieces produced, and the other the dollar standard multiplied by the pieces produced. At the time the system was installed we were making the time standard extension for the purpose of measuring day work performance. It was decided, therefore, that for bookkeeping purposes the labor variance would not be broken down into its component elements but that factory control would continue to be obtained on the basis of performance expressed in factors of time.

Ideal vs. Bogey Standards

Finally the problem of ideal versus bogey standards was considered. Since it was necessary to set 40,000 to 50,000 standards for material as purchased and to translate these into the standard material costs of over 70,000 different separate parts, it seemed that to get the job done in any practical length of time it would be necessary to use information readily available. It was therefore decided to use as the standard costs for the new system the actual material costs for the latest period for which material costs had been compiled under the former job cost system. This saved months in installing the system.

Again in setting labor standards it was necessary to compute over 200,000 operation costs and in order to get the job done

quickly it was necessary to use information readily available. This information was found in the time study time already set for all operations. Since this time had originally been set for purposes of computing machine load, the basis used was the normal time of an average operator including normal rest time, etc., or in other words substantially bogey standards. This time was converted into money using the job evaluated wage rate for the operation. As a result our labor standards are, of necessity, so-called bogey standards.

A Perplexing Problem

In setting the labor standards a perplexing problem was presented which required a re-definition of direct labor. Under the former cost system burring and straightening operations were very properly included in direct labor and although the burring and straightening operations were often performed on only a portion of each job lot, no particular problem developed since the burring and straightening labor actually incurred was spread over all the pieces in the lot. In a standard cost system, however, a distinct problem was presented. If the burring and straightening standards were charged to inventory only on the pieces actually burred or straightened, it would be very difficult to determine how much to credit inventory for each piece. On the other hand, if the burring and straightening standards were charged to inventory on all pieces produced whether or not the operations were performed, it would be easy to determine how much to credit inventory for each piece but it appeared extremely difficult to set up a system which would ensure that the proper number of pieces had been charged to inventory. This problem was dismissed by an ancient universal and unsatisfactory means—by avoiding it altogether. Burring and straightening were transferred to indirect labor to be included in overhead. As will be seen later in this article, we now have in the mill a proposed change in the present system which will permit burring and straightening to be put back on direct labor.

Set-up Time

A second perplexing problem was the treatment to be accorded the time allowed for setting up the machines. Under a perfect method of manufacture, parts would be produced in predetermined economic lot sizes and under a standard cost system the set-up

standard per piece would be simply the set-up standard divided by the predetermined economic lot size. However, the company operates on a system of constantly balanced inventory; i.e., the lot sizes produced per work orders issued are the exact quantities (plus scrap allowances) needed for assembly into a specified number of machines and for delivery to the parts department inventory for sale as parts. As a result, the job lot sizes may vary with the production schedule requirements and do not necessarily conform to economic lot sizes. In determining set-up standards per piece, it was therefore impossible to use an economic lot size. For lack of a better quantity the lot sizes produced in a selected month were arbitrarily used to determine the set-up standard per piece.

Mechanics of the System

Let us examine briefly the mechanics of the system as it is currently in operation.

Procedure for Material

First, the treatment of material. The material standards set on the basis of the latest actual cost information available were entered on cards to be used by the material standards section of the manufacturing cost division. These cards show the piece part number, if any, a description of the material, its standard cost, and if this standard is at a F.O.B. point other than the factory, the freight standard. All material has been classified for purposes of analysis into approximately twenty-five codes and this material is also shown. All invoices are received from vendors in duplicate. The original copy is used by the accounts payable section to record the purchase on the books, charging it to a purchases account. The duplicate copy of the invoice is passed to the material standards section where the material on the invoice is priced at standard cost and a tabulating card is prepared. This card records the invoice number, the purchase price, the standard purchase cost, the standard freight and the material code. These cards are tabulated daily so that the purchase price can be agreed with the invoice register and the standard purchase price compared with the actual purchase price in a search for possible errors. At the end of the month, the tabulating cards are sorted by material codes and totals obtained. These totals form the basis of an entry crediting purchases with

the actual purchase price, crediting freight expense with the standard freight (incoming freight is charged to freight expense and the variance between standard and actual freight is left in freight expense), debiting inventory with the standard cost of material purchased and finally debiting material variance account with the difference between actual and standard cost. The same totals are also used for a report to the management setting forth the trend in material costs by codes.

Procedure for Labor

Second, the treatment of direct labor. The work orders issued to the plant are reproduced from master copies retained in the material control department. The standard time and the standard dollar cost are entered on these masters and as a result the work orders issued to the plant contain this information. As the work progresses the direct labor men punch in and out on job cards using a separate card for each operation performed. The timekeeper enters on the job card the part number, the operation number, the pieces produced, the standard time (called in the plant "base time"), the standard machining cost per piece and the standard set-up cost per piece. These cards are forwarded to the accounting department daily where the man earnings are computed on the card and where the three standards shown are multiplied by the number of pieces. These cards are totaled by man, by section, by shift, by department and finally by the plant as a whole. The final totals form the basis of an entry crediting labor clearing account (where all labor is charged from the payroll), charging inventory for the machining and set-up labor at standard and charging labor variance with the difference between the actual payroll cost and the standard value of the work performed. These totals are also used to prepare a report to the management of the labor cost trends by departments.

Use of the System

A cost system is designed primarily for three uses: (1) to help management control costs; (2) to provide management with one of the factors in setting selling price; and (3) to maintain adequate book inventories. Let us examine the use of this standard cost system in effecting these three purposes.

Control of Costs

The system aids management in controlling costs by pointing out the trends and the larger sources of excesses of actual dollars over standard. The system does not give the reason for the excesses and these must be individually investigated before remedial measures can be taken. However, the basic information for such an investigation is at hand: material excesses can be broken down, if and when necessary, to the individual invoices; and labor excesses can be traced through the section to the man and even to the individual job. This latter work is carried out on a continuing basis by the manufacturing cost division of the accounting department working in close contact with the plant.

Information for Pricing

The cost system aids management in its consideration of selling prices by compiling reasonably accurate cost information quickly. As soon as the books are closed each month the percentage of variance for each material code and for labor is known for the month and for the year to date. Previous to this time the standard dollars of material cost by codes and the standard dollars of labor cost are known for each model manufactured. In a few hours the standard costs of each model can be converted into good current replacement costs by applying to them the current percentages of variances.

Adequate Inventories

The system maintains adequate book inventories since the debits and credits to inventory are both at standard cost and the variance in cost levels is excluded from inventory. When the time comes that present standards are sufficiently different from current costs to make inventory valuation at standard incorrect, the inventory can be revalued upwards or downwards by means of percentages and this revision can be kept in separate accounts from the present inventory accounts which would still continue at standard cost.

Where Do We Go from Here?

"Where do we go from here?" seems a fair question. No system when first installed works perfectly. It creaks at the joints and part of the plastering falls off. But even more than that, no

system when first installed has all the perfections which constant thought and improvement over several years can give it. The system described in this article very soon began to creak at the joints and improvement is already on the designing board.

Revision of Labor Standards

When the system was first introduced it was recognized that the plant would find it necessary to revise from time to time the base time for individual operations and since these times had been used in computing the standard costs, logically the costs should also change. It was agreed therefore that these changes could be made and that the standards would also change. It was thought that these changes could be introduced without regard to the inventories of pieces on hand produced at the old cost since this should be relatively small and since the changes should tend to offset each other.

But soon after the introduction of the system, changes began. The additional attention paid the standards set everyone looking for the incorrect standards and the changes piled up at the rate of several thousand a month. It was evident that the effect of these changes on book inventories could not safely be disregarded. Further, if the plant was to pay any attention to our reports, these changes had to be made or the reports would be scorned as obsolete.

The dilemma was solved by adopting the policy of permitting all necessary changes in base time, but "freezing" the dollar standard. Reports to the plant were all made in time alone which had been changed. The reports using dollar standards were continued for management only. As base time changes are made, however, new "pending" standards are computed and held ready for introduction all at the same time when standards are revised.

Compiling Figures for Inventory

A further improvement now contemplated is intended to reduce the vast number of items handled in compiling for debit to inventory the standard value of work performed, thereby saving money and reducing the opportunity for error. This improvement follows a practice which has been in effect with the company for a number of years in connection with the valuation of physical in-

ventories. The number of parts handled by the company and the difficulty in identifying the exact operation completed long ago led to adoption of the assumption in valuing work in process inventory that everything was on the average half finished and that the in-process inventory should be valued at half the labor cost. The volume was so great that it was thought this assumption would be very nearly correct and comparison of book and physical inventories over a number of years has demonstrated that the assumption is in fact very nearly correct.

It is now thought that if this assumption can be safely applied to the valuation of physical inventories, it can be just as safely applied to the debits to book inventories. It is proposed, therefore, that one-half the standard labor cost be debited to inventory when the pieces are started into process (the first operation) and the other half debited to inventory when the pieces are finished (the last operation). Under this proposal, it will no longer be necessary to obtain the standard machining labor and the standard set-up labor from each job card. Instead the debits to inventory can be compiled from production cards prepared only at the first and last operations. The base time, however, will still be shown on the job card so that variances can still be investigated.

A Problem Solved

And suddenly it is seen that this is the solution to the problem of burring and straightening operations which was discussed earlier. Under this new proposal these operations can be safely returned to direct labor since one-half the standard cost will be debited to the inventory for all pieces at the first and last operations and we can therefore be sure that the exact amount of burring and straightening labor which was debited to inventory will also be credited to inventory.

The changes continue and let us hope will always continue. For when we can find nothing wrong with the system it will not be because it has been perfected but because we have ceased to perfect it.

SUGGESTED PROCEDURE FOR THE ISSUANCE AND CONTROL OF PROCEDURES

By William E. Bergstrom, Controller,
Caterpillar Military Engine Co., Decatur, Ill.

Introduction

IN THE session devoted to "Internal Audit" in the 1941 International Cost Conference, as recorded in the *1941 Year Book* of the National Association of Cost Accountants, it was generally agreed that accounting manuals or standard procedures were desirable. However, in a show of hands to determine how many companies actually maintained such manuals, twenty out of fifty indicated that they had no written manuals. This show of hands was the result of comments made by Sten G. Nyberg, formerly Controller of Graton & Knight Co., Worcester, Massachusetts, who said: "I think it might be well to find out whether there are many companies represented here that might have well-defined programs for instituting changes. It seems to me that in the smaller sized or medium sized companies, many of these procedures and practices develop like Topsy and are not necessarily put down in writing; yet they have the force and effect of a written manual. One of the reasons to which I ascribe the lack of discussion on this particular subject is that many of us do not have written manuals, but develop procedures as we go along." I like the reference to Topsy, who you will remember "jest growed," but I recall as Topsy "growed" she developed some undesirable and obnoxious, if not bad, habits, some of which might have been inherited. The majority of those habits, however, might have been curbed or minimized, if not eliminated, had a proper "procedure" been followed from the beginning.

The Opportunity and the Incentive

The company which I represent was organized to operate a new Ordnance facility on a cost-plus-fixed-fee basis. This gave me and my colleagues, transferred from the parent company, truly "a chance that comes once in a lifetime" to start from scratch, with methods incorporating new ideas that we had had in the back of our minds for years but which, because of tradition and change-

over costs, we had been unable to carry out.

Furthermore, under the terms of our contract we were required to submit to our contracting officer, "procedures proposed to be followed by the contractor for the accomplishment of all field work, including temporary requirements; and the data so furnished shall be supplemented as additional pertinent data become available. Statements of procedure shall include purchasing, disbursing, accounting, sanitation, subsistence, recreation, and similar essential activities and methods." We had, therefore, one factor that otherwise might be lacking; namely, a real incentive to write procedures.

Procedure for Writing Procedures Needed

The responsibility of seeing that these procedures were written was assigned to me and, as I had neither the time nor the inclination, the respective department heads in our organization were asked to assign procedure development and writing functions to competent individuals in their respective departments. As I reviewed the "draft" procedures, it soon became obvious that if we were going to attain some standardization of form, if not literary style, we must have a procedure for writing procedures. This paper incorporates most of the instructions, ideas, and suggestions presented in that procedure.

In the introduction to our procedure for the issuance of procedures, we emphasized the fact that no procedure, system or method could be expected to operate itself and that the originator of the procedure, system or method could not be expected to be permanently available for consultation as to how the procedure was to be run. Detailed instructions in permanent form, we said, were a necessary part of every system and a basic requisite of any well organized business. Our detailed suggestions for the writing of procedures follow.

Writing Procedures

Procedures should be written in such a way as to distinguish between matters of company policies and procedural details for their administration. The statements of company policy should be brief, and presumably fairly rigid, and should be signed by the president, or the vice president. The procedures for administration of policies should be more detailed and, insofar as they

relate to inter-departmental transactions, they are subject to the final approval of the controller.

Practically every form used in effecting or recording transactions should be covered either by a separate procedure or specifically mentioned in at least one procedure.

Procedures should be as brief and concise as the subject matter permits and in order to carry out this idea, it is suggested that lengthy procedures be broken down into smaller subdivisions for two reasons: (a) such procedures are easier to write and (b) they can be revised more readily.

Titles given to procedures should be descriptive of the covering matter; for instance, say "procedure for disbursing, recording, and accounting for tools in sub-cribs" rather than just "procedure for tool cribs."

Lengthy procedures, when unavoidable, should be subdivided into sections, with appropriate sub-headings. Sub-headings may refer to the form being described, such as "Employment Notice" or "Rate Card" in a payroll procedure, or "Purchase Order Requisition" and "Purchase Order" in a purchasing procedure. The procedure could also be subdivided into sections by description of functions; for example, in a procedure describing the methods to be followed in taking an inventory, sub-headings, such as "Ordering the Forms," "Typing the Inventory Sheets" and "Checking the Inventory Cards" could be used.

If the procedure supersedes a previous procedure, this fact should be mentioned directly under the title, thus: "Supersedes procedure entitled ....., dated ....., Index No. ....." in order to avoid the complications that will arise from the use of obsolete procedures.

Origination and Revision

Procedures should be originated, preferably, in the department best qualified to write them and, needless to say, should be written by someone thoroughly familiar with the subject.

In writing procedures it is well to prepare a draft procedure, double-spaced, in order that interlineations can be made readily. This would appear to be elementary, but is often overlooked.

The use of personal names should be avoided, in favor of titles, to recognize the rapid personnel changes. Therefore, reference

should be made to "Receiving Clerk," not "John Jones," or to "Cashier," rather than "Ed. Smith."

If feasible and practicable, copies of the forms described in the procedure should be attached to and form a part of the procedure. When a rubber stamp impression is mentioned in the procedure, a facsimile impression should be inserted directly under the reference.

When the author of the procedure is satisfied that the subject has been properly covered, the procedure should be typed in double-spacing on Procedure Form and routed to those who will eventually approve the procedure, or who are otherwise concerned, for their comments, criticisms and suggestions. The author should maintain a memorandum record of the names of the individuals to whom the proposed procedure was submitted, in order to maintain a proper follow-up, so that no procedure is permitted to "die" in someone's desk or file. When the procedure is returned it should be re-written to incorporate any advisable changes and re-submitted to the person who suggested such changes. It will often be found necessary to make several revisions before the procedure is finally acceptable to all concerned, but it will be agreed that it is better to have everyone in agreement as to the procedure to be followed before it is published, rather than after, and thus avoid the necessity of revision after the procedure has been formally issued.

Approval

When a procedure is ready for final typing, it should be typed in single or double-spacing, as desired, on Procedure Form, and should show the name of the issuing department and be signed by the individual who wrote the procedure. Above the signature of the author and directly under the last line of the procedure, space should be provided for the required approvals.

Approvals should be obtained in accordance with the following rules:

President, or Vice President	On all procedures covering statement of company policies.
Contracting Officer's Representative	On all procedures.

Works Manager	On all procedures dealing with works departments, such as planning, inspection, production, receiving, etc.
Purchasing Agent	On all procedures relating to purchasing department.
Director of Industrial Relations	On all procedures relating to personnel, medical, insurance, safety and sanitation, plant protection and restaurant functions.
Chief Engineer	On all procedures relating to engineering department.
Controller	(1) On all procedures involving any inter-departmental transactions.
	(2) On all procedures relating to accounting, auditing, office services, material control, cashier and timekeeping functions.

Additional approvals may be obtained at the discretion of the signer of the procedure, or of his department head or the controller.

After the necessary approvals have been obtained, the procedure, together with a recommendation as to the number of copies required, should be forwarded to the office manager, in the controller's department, where it will be assigned a procedure index number from a register maintained for that purpose. This register will also provide for alphabetical cross-referencing of procedures by titles.

Issuance

The procedure will then be retyped for duplication by ditto or multilith. The master copy, together with the original procedure, will be returned to the signer for proofreading, signature, and rerouting to the individuals whose approvals appear on the original. The master copy, as well as the original copy, will then be returned to the office manager. The master copy will be used to duplicate the required number of copies, after which it will be

filed in index number order in the master procedure file, together with the original copy.

Copies of the procedure will then be sent (1) to each of the individuals approving the procedure; (2) to those individuals designated to receive copies of all procedures; (3) to such other individuals as the department head or signer may designate. An additional supply of each procedure will be maintained by the office manager for disposition to those who may require extra copies.

Procedures should be filed in ring binders, which may be secured from the office manager for that purpose. It is suggested that procedures be filed in index number order. An index should be prepared for each procedure binder, listing the procedures therein alphabetically and cross-referenced to the index number.

Control

Control of procedures will be delegated to the office manager, who will be responsible for the maintenance of the procedure index number register, hereinbefore referred to. It will also be his duty to see that duplication in titles is avoided and to maintain a record of all individuals to whom procedures are issued, so that in the event a procedure is issued which supersedes a previous one, all superseded and, therefore, obsolete procedures may be recalled and destroyed.

Conclusion

Careful observance of the rules, comments and suggestions contained herein is urged, in order that our file of procedures will reflect our best thinking and accomplish the purpose for which they are primarily intended, i.e., to get the work done—"Better, Quicker and Cheaper."